

External Assessment 2025

ECONOMICS

ECN315116

Section **A**

Pages: 16
Questions: 9

Preparation time for this exam: 15 minutes

Suggested working time: 45 minutes

Instructions:

- There are **three (3) parts** to this section:
 - **Part 1 – Unit 1** – answer **two (2)** questions from this part
 - **Part 2 – Unit 2** – answer **two (2)** questions from this part
 - **Part 3 – Unit 3** – answer **two (2)** questions from this part.
- Answer **all** items within a question.
- Write your answers in the spaces provided in this exam paper. You are encouraged to include diagrams where relevant.
- Each question is worth 7.5 marks ($6 \times 7.5 = 45$ marks in total for **Section A**).
- The exam is **three (3)** hours in length. The suggested working time is provided in the instructions for each part.
- All answers must be written in **English**.
- You **must** make sure your answers address the listed criteria.

Marker use	
C1	/ 45
C5	/ Alpha

Blank Page

Guide to Exam Structure

		Parts	Questions available	Questions to answer	Suggested working time	Marks available
Section A	Part 1		3	2	15 minutes	15 marks and A+ to z rating
	Part 2		3	2	15 minutes	15 marks and A+ to z rating
	Part 3		3	2	15 minutes	15 marks and A+ to z rating
Section B	Part 1		3	2	15 minutes	15 marks and A+ to z rating
	Part 2		3	2	15 minutes	15 marks and A+ to z rating
	Part 3		3	2	15 minutes	15 marks and A+ to z rating
Section C	Part 1		2	1	45 minutes	45 marks and A+ to z rating
	Part 2		2	1	45 minutes	45 marks and A+ to z rating
Totals			22	14	180 minutes (3 hours)	180 marks and A+ to z rating

Criteria

You **must** make sure your answers address:

- Criterion 1 describe and apply economic terms, concepts, theories and ideas
- Criterion 5 communicate economic ideas and information.

Part 1

- Answer **two (2)** questions from **Unit 1** – An Introduction to Economics.
 - Write your answers in the spaces provided in this exam paper. You are encouraged to include **diagrams** where relevant.
 - This part is worth 15 marks. The suggested working time you should spend on this part is **approximately 15 minutes**.
 - This part assesses **Criteria 1** and **5**.
-

Unit 1 – An Introduction to Economics

Question 1

Explain the difference between a leakage and an injection into the circular flow model. Use an example to explain the impact that an increase in leakages could have on equilibrium.

(7.5 marks)

Question 2

Distinguish between public goods and common resources. Using **two (2)** examples, explain how the concept of public goods can be a form of market failure.

(7.5 marks)

Question 3

Explain the role of consumers in determining the price of a good or service. Describe **three (3)** main determinants that affect the demand for a good or service.

(7.5 marks)

Exam continues over the page

Blank Page

Part 2

- Answer **two (2)** questions from **Unit 2** – Economic Management.
 - Write your answers in the spaces provided in this exam paper. You are encouraged to include **diagrams** where relevant.
 - This part is worth 15 marks. The suggested working time you should spend on this part is **approximately 15 minutes**.
 - This part assesses **Criteria 1** and **5**.
-

Unit 2 – Economic Management

Question 4

Explain the difference between microeconomics and macroeconomics. Describe the relationship between total spending (aggregate demand), total income and total output.

(7.5 marks)

Question 5

Explain what is meant by an equitable distribution of income and wealth within an economy. Using **two (2)** examples explain how a government redistributes income through taxation and the spending on goods and services.

(7.5 marks)

Question 6

Using examples, distinguish between cyclical and structural unemployment. If the Reserve Bank of Australia decreases the cash rate, explain which type of unemployment this policy is likely targeting.

(7.5 marks)

Exam continues over the page

Blank Page

Part 3

- Answer **two (2)** questions from **Unit 3** – Australia and the Global Economy.
 - Write your answers in the spaces provided in this exam paper. You are encouraged to include **diagrams** where relevant.
 - This part is worth 15 marks. The suggested working time you should spend on this part is **approximately 15 minutes**.
 - This part assesses **Criteria 1** and **5**.
-

Unit 3 – Australia and the Global Economy

Question 7

Explain **two (2)** links that exist between two global economies. Using **two (2)** examples, explain how trade can benefit Australia's economy.

(7.5 marks)

Question 8

Distinguish between an appreciation and a depreciation of the Australian Dollar. Explain **two (2)** factors that can affect Australia's exchange rate.

(7.5 marks)

Question 9

Distinguish between foreign investment and foreign debt. Explain the relationship between the current account outcome and foreign liabilities.

(7.5 marks)

End of Section A
Blank Page



TASMANIAN
ASSESSMENT, STANDARDS
& CERTIFICATION

This exam paper and any materials associated with this exam
(including answer booklets, cover sheets, rough note paper, or information sheets)
remain the property of Tasmanian Assessment, Standards and Certification.

Attach your candidate label here

ECONOMICS

ECN315116

Section **B**

Pages: 32

Questions: 9

Suggested working time: 45 minutes

Instructions:

- There are **three (3) parts** to this section:
 - Part 1 – Unit 1** – answer **two (2)** questions from this part
 - Part 2 – Unit 2** – answer **two (2)** questions from this part
 - Part 3 – Unit 3** – answer **two (2)** questions from this part.
- Answer **all** items within a question.
- Write your answers in the spaces provided in this exam paper. You are encouraged to include diagrams where relevant.
- Each question is worth 7.5 marks ($6 \times 7.5 = 45$ marks in total for **Section B**).
- The exam is **three (3)** hours in length. The suggested working time is provided in the instructions for each part.
- All answers must be written in **English**.
- You **must** make sure your answers address the listed criteria.

Marker use	
C2	/ 45
C5	/ Alpha

Blank Page

Guide to Exam Structure

	Parts	Questions available	Questions to answer	Suggested working time	Marks available
Section A	Part 1	3	2	15 minutes	15 marks and A+ to z rating
	Part 2	3	2	15 minutes	15 marks and A+ to z rating
	Part 3	3	2	15 minutes	15 marks and A+ to z rating
Section B	Part 1	3	2	15 minutes	15 marks and A+ to z rating
	Part 2	3	2	15 minutes	15 marks and A+ to z rating
	Part 3	3	2	15 minutes	15 marks and A+ to z rating
Section C	Part 1	2	1	45 minutes	45 marks and A+ to z rating
	Part 2	2	1	45 minutes	45 marks and A+ to z rating
Totals		22	14	180 minutes (3 hours)	180 marks and A+ to z rating

Criteria

You **must** make sure your answers address:

- Criterion 2 apply economic models and mathematical techniques to analyse economic data and information
- Criterion 5 communicate economic ideas and information.

Part 1

- Answer **two (2)** questions from **Unit 1** – An Introduction to Economics.
 - Answer **all** items within a question.
 - Write your answers in the spaces provided in this exam paper. You are encouraged to include **diagrams** where relevant.
 - This part is worth 15 marks. The suggested working time you should spend on this part is **approximately 15 minutes**.
 - This part assesses **Criteria 2** and **5**.
-

Unit 1 – An Introduction to Economics

Question 10

The data set in Table 1 is relevant to items a), b) and c).

Price per kg	Quantity Demanded (1kg box)	Quantity Supplied A (1kg box)	Quantity Supplied B (1kg box)
\$2	60,000	20,000	30,000
\$3	55,000	30,000	40,000
\$4	50,000	50,000	60,000
\$5	40,000	60,000	70,000

Table 1: Demand and supply of Tasmanian cherries.

- a) Draw and label a demand curve using the data in Table 1. Using the demand curve and data from Table 1, **explain** how a change in price leads to a movement along the demand curve.
- b) Model a diagram that shows the increase in cherry supply in Tasmania (from quantity supplied A to quantity supplied B). State **two (2)** factors that could have caused an increase in supply of Tasmanian cherries in the market.

Question 10 continues

Question 10 continued

- c) Using the data in Table 1, calculate (show your working) the price elasticity of demand for the following prices of cherries per kilo:
 - i. \$2 to \$3 per kilo
 - ii. \$3 to \$4 per kilo
 - iii. \$4 to \$5 per kilo.

(7.5 marks)

a)

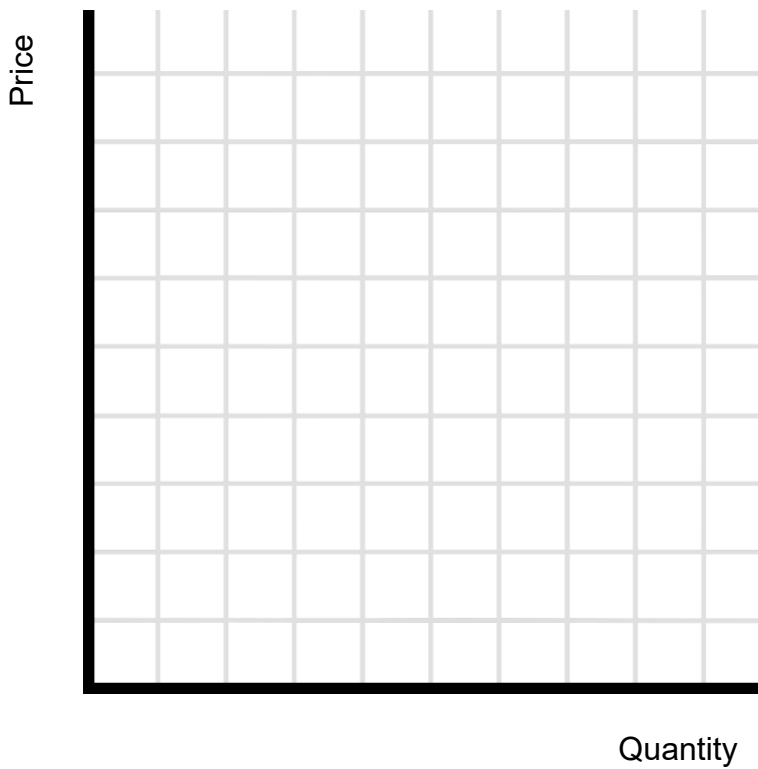


Figure 1: Graph for annotation of answer to Question 10 a).

.....

.....

.....

.....

.....

.....

Question 10 continues

Question 11

The production possibilities for an economy are shown in Table 2. This table displays the maximum quantity of food and machinery that can be produced in Economy A if all resources are fully utilised.

Point	Food Production (units)	Machinery Production (units)
A	0	1400
B	200	1200
C	300	1000
D	400	800
E	500	600
F	600	400
G	700	200
H	800	0

Table 2: Food and machinery production in Economy A.

- Draw a production possibilities frontier that shows the production potential of this economy if all resources are employed efficiently.
- On the frontier that you have modelled using the data in Table 2, identify the trade-off if a choice is made to increase the quantity of food production between point D and E. Calculate (show your working) the opportunity cost of Economy A moving between point D and E.
- On the model that you have created, mark a point that shows an inefficient allocation of resources to produce food and machinery. Explain **two (2)** examples of inefficient allocation of resources.

(7.5 marks)

Question 11 continues

a)

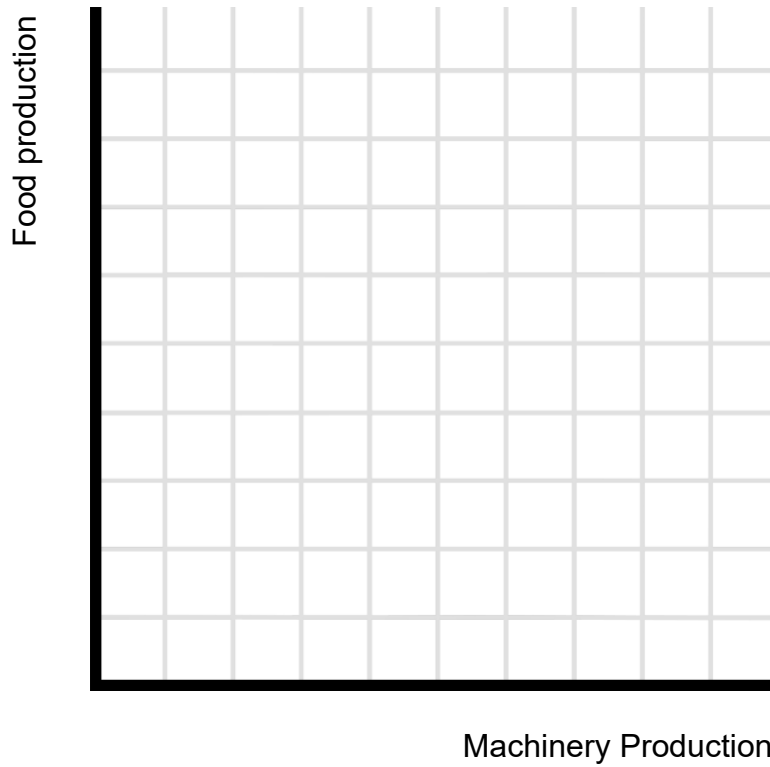


Figure 3: Graph for annotation of answer to Question 11 a).

b)

.....

.....

.....

.....

.....

c)

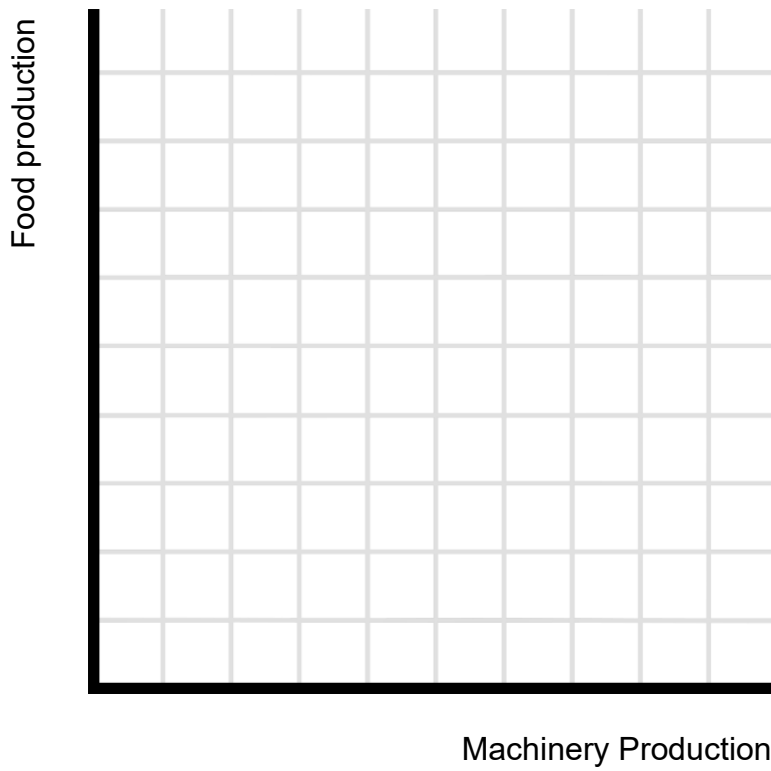


Figure 4: Graph for annotation of answer to Question 11 c).

.....

.....

.....

.....

.....

.....

Total
Q11
/7.5

Question 12

According to property.com.au, 'the median price of the 9,500 rental houses on the market in Launceston is \$480 per week'.

- a) Draw and accurately label Figure 5 to show the market equilibrium for long-term rental properties in Launceston.
- b) Using Figure 6, show how a government policy that limits the number of properties that can be used for Airbnb (tourist) accommodation will impact the supply of long-term rental properties in Launceston. Explain the impact of this policy change on price and quantity of long-term rental properties in the market.
- c) Using Figure 7, illustrate how an increase in Launceston's population can cause a market shortage and clearly demonstrate on the diagram how the market will clear this shortage over time.

(7.5 marks)

a)

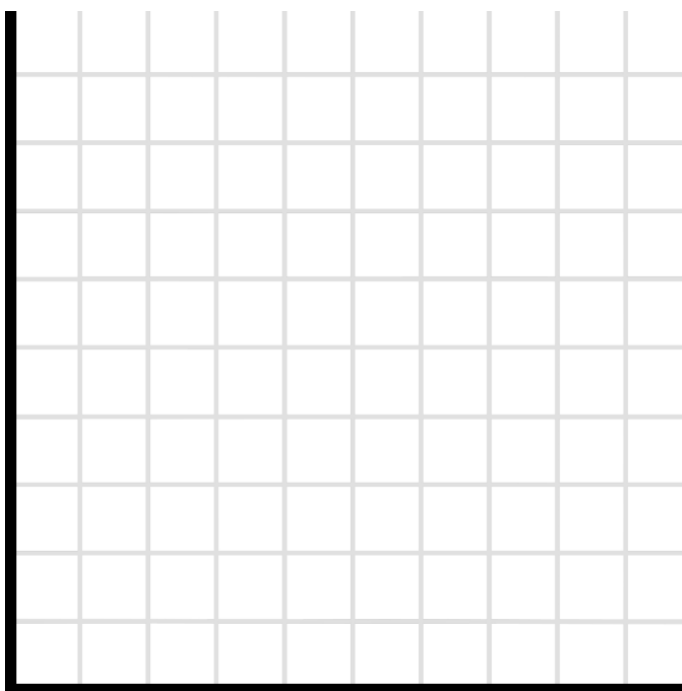


Figure 5: Graph for annotation of answer to Question 12 a).

Question 12 continues

b)

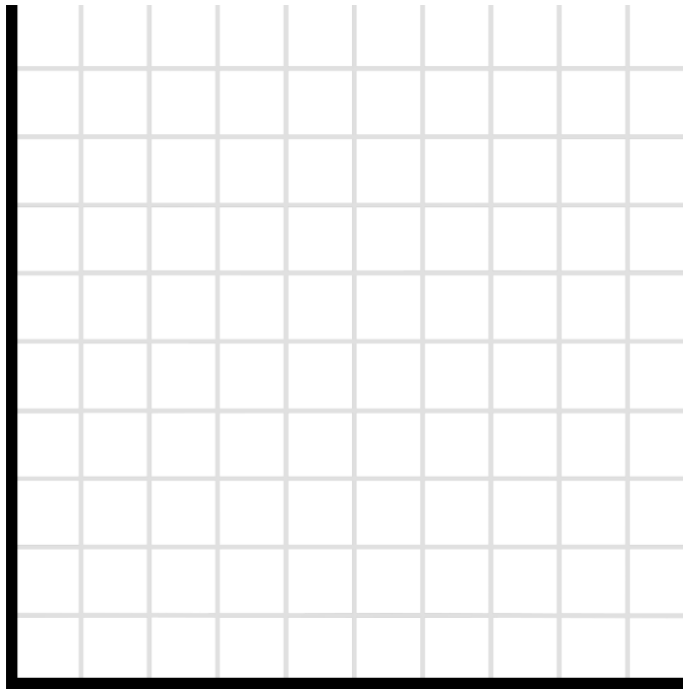


Figure 6: Graph for annotation of answer to Question 12 b).

.....

.....

.....

.....

.....

c)

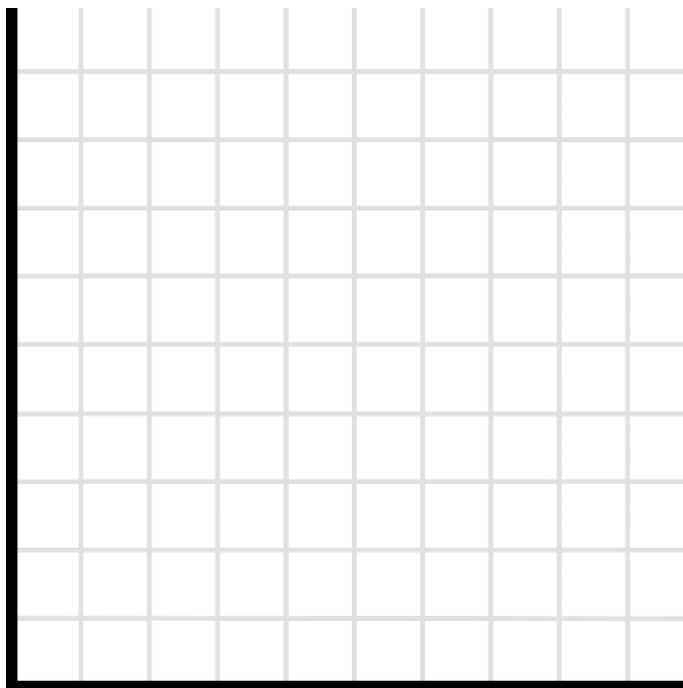


Figure 7: Graph for annotation of answer to Question 12 c).

Total
Q12
/ 7.5

Exam continues over the page

Blank Page

Part 2

- Answer **two (2)** questions from **Unit 2** – Economic Management.
 - Answer **all** items within a question.
 - Write your answers in the spaces provided in this exam paper. You are encouraged to include **diagrams** where relevant.
 - This part is worth 15 marks. The suggested working time you should spend on this part is **approximately 15 minutes**.
 - This part assesses **Criteria 2** and **5**.
-

Unit 2 – Economic Management

Question 13

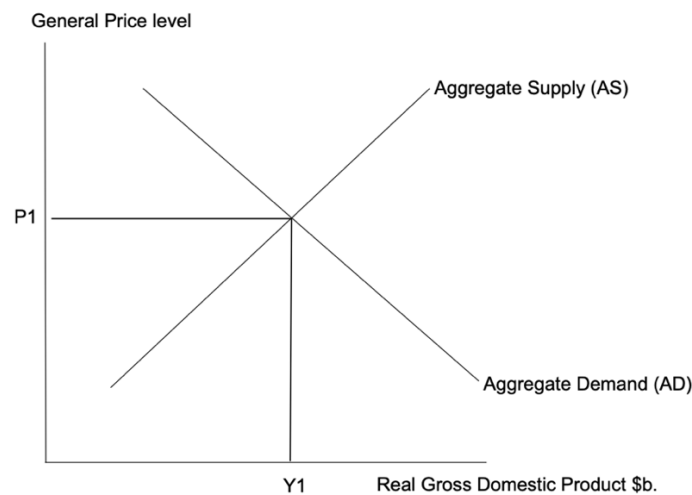


Figure 8

Figure 8 represents the aggregate demand (AD) and aggregate supply (AS) curves for Australia. Using the graphs provided on the following pages, **model** and **explain** the likely effect on the level of Real Gross Domestic Product and the General Price Level if the following policy actions are implemented:

- a) a microeconomic reform initiative that reduces government regulation in the energy sector
- b) a decision by the Reserve Bank of Australia to lower the cash rate (interest rate)
- c) the introduction of a wealth tax by the government to increase the level of taxation for higher income earners.

(7.5 marks)

Question 13 continues

Question 13 continued

Marker use

a)

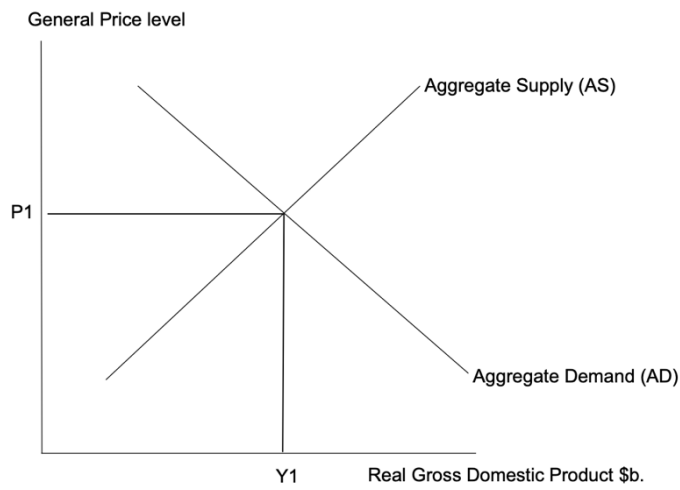


Figure 9: Graph for annotation of answer to Question 13 a).

.....

.....

.....

.....

.....

.....

.....

.....

.....

Question 13 continued

Marker use

b)

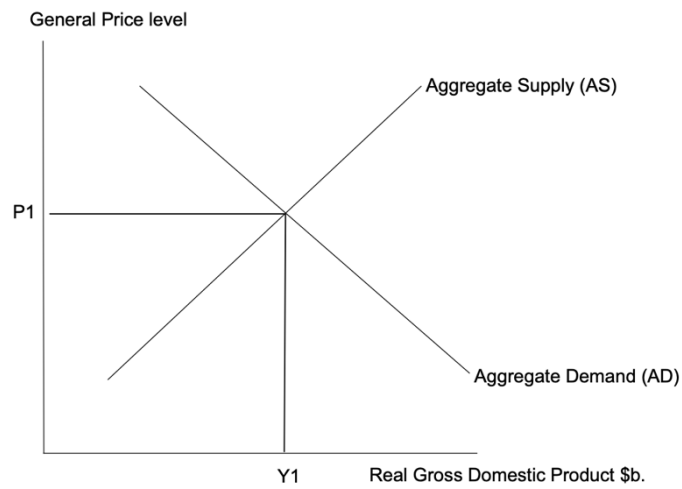


Figure 10: Graph for annotation of answer to Question 13 b).

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Question 13 continued

Marker use

c)

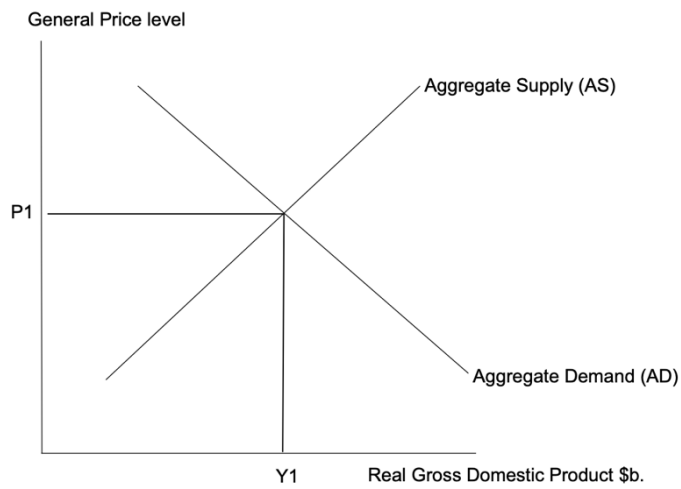


Figure 11: Graph for annotation of answer to Question 13 c).

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Total
Q13
/ 7.5

Question 14

Table 3 shows macroeconomic data in relation to Australia for the past 5 years. Use this data to answer the questions that follow.

Year	Unemployment Rate (%) (CEIC Data)	Real GDP Growth (%) (ABS data)	Inflation Rate (%) (ABS data)
2021	5.12	4.2	2.84
2022	3.70	3.4	6.59
2023	3.67	1.4	5.60
2024	4.11	1.1	3.20
2025	4.10	1.6	2.40

Table 3

- Identify the largest period of economic growth over the 5 year period and explain a possible reason for the larger growth rate.
- Using the data in Table 3, explain the general link between the Real GDP Growth Rate and the Unemployment Rate.
- Using an aggregate demand and aggregate supply diagram in Figure 12, **model** and **explain one (1)** possible cause of the change in the percentage inflation rate between 2021 and 2022.

(7.5 marks)

a)

.....

.....

.....

.....

.....

.....

.....

b)

.....

.....

.....

.....

.....

.....

.....

c)



Figure 12: Graph for annotation of answer to Question 14 c).

.....

.....

.....

.....

.....

.....

.....

.....

Total
Q14
/ 7.5

Question 15

Table 4 shows the annual weighting of the main expenditure groups that determine the Consumer Price Index (CPI) in Australia.

Group	Weights (%)		
	2019 (pre-Covid)	2024	2025
Food and non-alcoholic beverages	15.75	17.15	17.44
Alcohol and tobacco	7.71	6.98	6.58
Clothing and footwear	3.23	3.4	3.25
Housing	22.93	21.74	21.39
Furnishings, household equipment & services	8.56	8.43	8.02
Health	5.88	6.43	6.73
Transport	10.68	11.42	11.45
Communication	2.41	2.14	2.13
Recreation and culture	12.81	12.55	12.74
Education	4.44	4.34	4.69
Insurance and financial services	5.59	5.43	5.58

Table 4

Source: Australian Bureau of Statistics, Annual weight update of the CPI and Living Cost Indexes December 2024.

Table 5 shows the economic growth for country A from 2021 until 2024.

Year	Real GDP (billions)
2021	400
2022	410
2023	450
2024	500

Table 5

Question 15 continues

Question 15 continued

Marker use

- a) Identify **two (2)** groups from Table 4 that have been given an increased weighting and **two (2)** groups from Table 4 that have had a reduced weighting since pre-Covid time.
- b) Explain how a reduced weighting of the housing group in Table 4 could have influenced the Inflation Rate in Australia during the 2024 and 2025 period.
- c) Use the data in Table 5 to calculate (show your working) the following:
 - i. economic growth rate between 2021 and 2022
 - ii. economic growth rate between 2023 and 2024.

(7.5 marks)

Question 15 continues

Question 15 continued

Marker use

a)

.....

.....

.....

.....

.....

.....

.....

b)

.....

.....

.....

.....

.....

.....

.....

c)

i.

.....

.....

.....

ii.

.....

.....

.....

Total
Q15
/ 7.5

Exam continues over the page

Blank Page

Part 3

- Answer **two (2)** questions from **Unit 3** – Australia and the Global Economy.
 - Answer **all** items within a question.
 - Write your answers in the spaces provided in this exam paper. You are encouraged to include **diagrams** where relevant.
 - This part is worth 15 marks. The suggested working time you should spend on this part is **approximately 15 minutes**.
 - This part assesses **Criteria 2** and **5**.
-

Unit 3 – Australia and the Global Economy

Question 16

Table 6 shows Australia's Foreign Debt, Foreign Investment / Equity and Current Account results for the years 2022 and 2024.

Year	Net Foreign Debt (billion)	Net Foreign Investment / Equity (billion)	Current Account (billion)
2022	\$1,162.8	\$4,598.8	\$37.6 surplus
2024	\$1,388.6	\$4,970.6	\$54.6 deficit

Table 6

- Using the data from Table 6, **describe** the Net Foreign Debt and Net Foreign Investment / Equity trends between 2022 and 2024.
- Using the data from Table 6, **explain** the relationship between Australia's Net Foreign Debt and Current Account result.
- Give **two (2)** possible reasons why Australia's Current Account balance has moved from a net surplus in 2022 to a net deficit result in 2024.

(7.5 marks)

Question 16 continues

Question 16 continued

Marker use

a)

.....

.....

.....

.....

.....

.....

.....

.....

.....

b)

.....

.....

.....

.....

.....

.....

.....

.....

.....

c)

.....

.....

.....

.....

.....

.....

.....

**Total
Q16
/ 7.5**

Question 17

Hypothetically, if Australia allocates all resources to the production of iron ore, it can produce 30 million tonnes. If all its resources are allocated to producing iron and steel products, it can produce 5 million tonnes.

Hypothetically, if China allocates all resources to the production of iron ore, it can produce 10 million tonnes. If all its resources are allocated to producing iron and steel products, it can produce 40 million tonnes.

This is shown in Table 7. Use this information to answer the questions that follow.

Country	Iron Ore (tonnes)	Iron and Steel Products (tonnes)
Australia	30 million	5 million
China	10 million	40 million

Table 7

- a) Model Australia's and China's production possibilities frontier of both iron ore and iron and steel products using the template in Figure 13.
- b) Calculate (show your working) whether:
 - i. Australia has a comparative advantage in either iron ore or iron and steel products. From your calculations state which product Australia has a comparative advantage in.
 - ii. China has a comparative advantage in either iron ore or iron and steel products. From your calculations state which product China has a comparative advantage in.
- c) Explain whether Australia and China should specialise in either iron ore or iron and steel products and engage in trade. Provide **one (1)** reason for your recommendation.

(7.5 marks)

a)



Figure 13: Graph for annotation of answer to Question 17 a).

b)

i.
.....
.....
.....

ii.
.....
.....
.....

c)

.....
.....
.....
.....
.....
.....
.....

Total
Q17
/ 7.5

Question 18

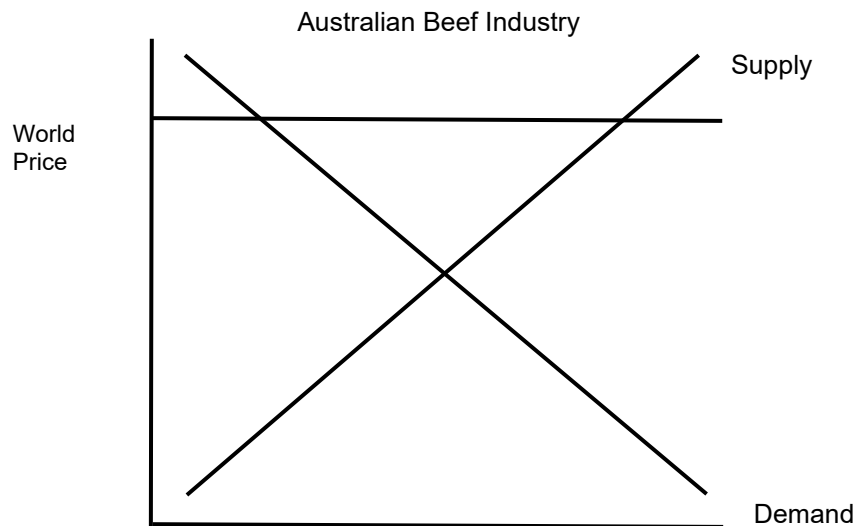


Figure 14

Australia is known as an efficient producer of beef. Using the incomplete diagram model in Figure 14, answer the following questions in relation to Australia's beef industry and how certain factors could impact Australian beef demand and supply.

- a) Using the diagram in Figure 15 on the next page, **explain** what price Australian beef producers would receive in the world market if there were free trade.
- b) Model a fully labelled diagram to show what would happen to Australian beef production if the Australian government reduced subsidies to the Australian beef industry.
- c) Explain the impact of a depreciation of the Australian dollar on global demand for Australian beef.

(7.5 marks)

Question 18 continued

Marker use

a)

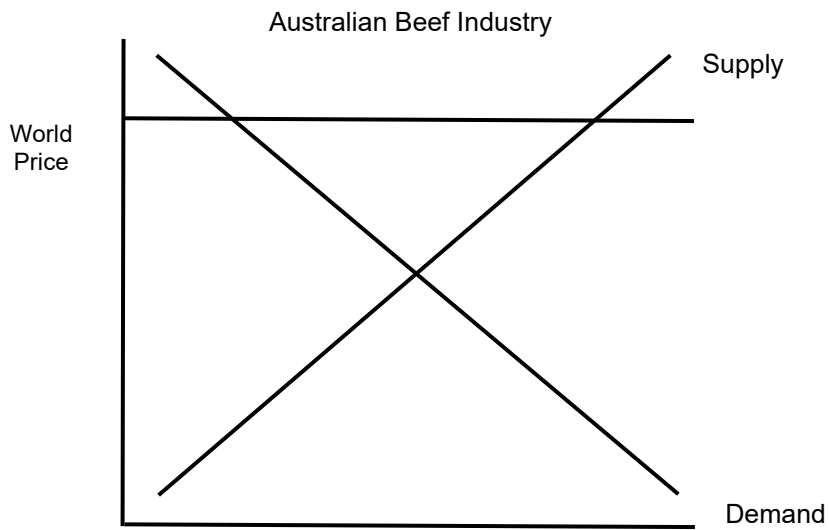


Figure 15: Graph for annotation of answer to Question 18 a).

.....

.....

.....

.....

.....

.....

Question 18 continued

Marker use

b)

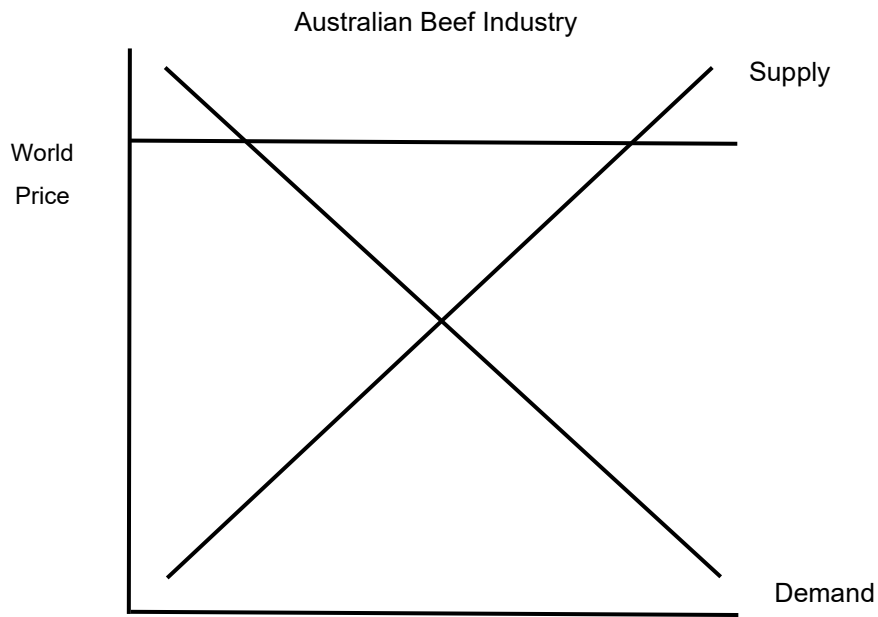


Figure 16: Graph for annotation of answer to Question 18 b).

c)

.....

.....

.....

.....

.....

.....

Total
Q18
/7.5

End of Section B
Blank Page



This exam paper and any materials associated with this exam
(including answer booklets, cover sheets, rough note paper, or information sheets)
remain the property of Tasmanian Assessment, Standards and Certification.

Attach your candidate label here

External Assessment 2025

ECONOMICS

ECN315116

Section **C**

Pages: 16

Questions: 4

Answer Booklets: 2

Suggested working time: 90 minutes

Instructions:

- There are **two (2) parts** to this section:
 - **Part 1 – Unit 2** – answer **one (1)** question from this part
 - **Part 2 – Unit 3** – answer **one (1)** question from this part.
- Answer **all** items within a question.
- Write your answer to each question in a **separate answer booklet**. You are encouraged to include diagrams where relevant.
- Each question is worth 45 marks (2 x 45 = 90 marks in total for **Section C**).
- The exam is **three (3)** hours in length. The suggested working time is provided in the instructions for each part.
- All answers must be written in **English**.
- You **must** make sure your answers address the listed criteria.

Marker use			
	Q19 or 20	Q21 or 22	
C3			/ 45
C4			/ 45
C5			/ Alpha

Blank Page

Guide to Exam Structure

	Parts	Questions available	Questions to answer	Suggested working time	Marks available
Section A	Part 1	3	2	15 minutes	15 marks and A+ to z rating
	Part 2	3	2	15 minutes	15 marks and A+ to z rating
	Part 3	3	2	15 minutes	15 marks and A+ to z rating
Section B	Part 1	3	2	15 minutes	15 marks and A+ to z rating
	Part 2	3	2	15 minutes	15 marks and A+ to z rating
	Part 3	3	2	15 minutes	15 marks and A+ to z rating
Section C	Part 1	2	1	45 minutes	45 marks and A+ to z rating
	Part 2	2	1	45 minutes	45 marks and A+ to z rating
Totals		22	14	180 minutes (3 hours)	180 marks and A+ to z rating

Criteria

You **must** make sure your answers address:

- Criterion 3 describe and analyse problems arising from economic issues and events
- Criterion 4 describe and analyse economic solutions and make recommendations for future economic action
- Criterion 5 communicate economic ideas and information.

Part 1

- Answer **one (1)** question, **either** Question 19 **or** Question 20.
 - Answer **all** items within a question.
 - Write your answers in a **separate answer booklet**. You are encouraged to include **diagrams** where relevant.
 - This part is worth 45 marks. The suggested working time you should spend on this part is **approximately 45 minutes**.
 - This part assesses **Criteria 3, 4 and 5**.
 - You are expected to use the stimulus material **and** the economics you have studied this year in your answers.
-

Question 19 stimulus

The rich are getting richer: Australia's wealth divide continues to widen

The wealth of the richest 200 people in Australia is equivalent to nearly a quarter of national GDP, with researchers warning that if this trend continues, wealth disparity will soon destroy any remaining semblance of equality in Australian society.

The wealth of the very rich has more than tripled in the past two decades, from 8.4% of Australia's GDP in 2004 to 23.7% of GDP in 2024, with the top fifth of households holding wealth 146 times greater than the bottom fifth. Meanwhile, cost-of-living pressures have hit people living in poverty and those on lower incomes as they struggle to afford basic goods and services, while the wealthy benefit from inflated asset values. Landlords raising rents and energy retailers price-gouging to benefit shareholders were two examples cited in the report of inflation keeping low-income earners poor and increasing the wealth of the already rich.

Tax reform was essential to addressing rising inequality, the report said. It stated that a simple annual wealth tax of 2% on the richest 5% of households would yield billions of dollars in Commonwealth revenue that would vastly increase the ability of the federal government to provide services for the majority, the report said. "Growing economic inequality is making life worse for millions of Australians and holding our country back. The International Monetary Fund and others have shown how economic inequality tends to reduce a nation's economic growth."

Bold policy actions are required to counter our ever-increasing inequality and raise the billions of dollars in public revenue that are currently foregone.

Question 19 stimulus continues

Question 19 stimulus continued

Adapted from: <https://www.theguardian.com/australia-news/article/2024/aug/13/the-rich-are-getting-richer-australias-wealth-divide-continues-to-widen>.

Article by: *Stephanie Convery (The Guardian) on Wednesday 13 August 2024.*

Australia's unemployment rate picks up slightly in March, to 4.1%

Australia's unemployment rate rose slightly in March, as 32 000 people found employment and the pool of unemployed people increased by 3 000. The unemployment rate lifted to 4.1 per cent, up from 4 per cent, in seasonally adjusted terms. In trend terms – the unemployment rate remained steady at 4 per cent in March, for the fifth month in a row. But economists say Australia's job market has cooled down noticeably in recent months, with far fewer jobs being added compared to this time last year.

The slowdown in employment growth

Mr Pickering from the Australian Bureau of Statistics (ABS) says hours worked decreased by 0.3 per cent in March, falling for the second month in a row, despite the growth in employment. "A higher than usual number of people reported working reduced hours this month due to bad weather, coinciding with ex-Tropical Cyclone Alfred in New South Wales and Queensland."

Mr Pickering said the slow-down in employment growth this year was somewhat at odds with the ongoing strength in forward looking indicators of labour demand, such as job vacancies and job advertisements. As the United States and China continue escalating the trade war, economists say Australian consumers and businesses could benefit from cheaper prices. However, he said despite employment increasing by 32 000 people in March, that followed a decline in employment of 57 000 in February, which averages out to very little employment growth across the March quarter. "Over the first three months of the year, Australian employment has increased by just 6 500 people," Mr Pickering said.

"That's a fair slowdown from last year when the job market was regularly adding 100 000 people or more a quarter. If the participation rate had held steady, at its record high from January, Australia's unemployment rate would have jumped to 4.7 per cent," he said.

Adapted from: <https://www.abc.net.au/news/2025-04-17/unemployment-rate-march-2025-4-1-per-cent-australia/105186836>

Article by: *Gareth Hutchens on 17 April 2025.*

Question 19 continues

Question 19 continued

These items assess **Criteria 3** and **5**.

- a) Evaluate the impact of a growing wealth and income distribution divide on individuals, businesses and the government within Australia's economy. (10 marks)
- b) Critically analyse the implications of growing income and wealth inequality within Australia in terms of social justice and practical limitations. (8 marks)
- c) Explain **two (2)** costs of the rise of Australia's unemployment rate from 4.0% to 4.1%. (4.5 marks)

These items assess **Criteria 4** and **5**.

- d) Justify **one (1)** short-term and **one (1)** long-term policy action that the Australian Government could take to counter the increasing wealth and income divide in Australia. (10 marks)
- e) Evaluate the impact an increase in taxation imposed on wealthy Australians will have on businesses and individuals. (8 marks)
- f) Explain **one (1)** policy action that the government could take to reduce Australia's unemployment rate. (4.5 marks)

Question 20 stimulus

Inflation slows again less than a week from next interest rates decision

Inflation has eased once again in Australia, according to new data released just days out from the RBA's next interest rates decision. The monthly consumer price index (CPI) figures from the Australian Bureau of Statistics showed headline inflation slowed to 2.4 per cent over the 12 months to February, still well within the Reserve Bank's target band and down from 2.5 per cent the month before.

Two measures of core inflation also dropped slightly, with CPI excluding volatile items and holiday travel down from 2.9 to 2.7 per cent. The headline figure of 2.4 per cent is the lowest monthly inflation has been since October, while the trimmed mean is at its equal-lowest point since late 2021, having also touched 2.7 per cent in December before a slight rise to 2.8 per cent in January.

MONTHLY CPI INDICATOR (ANNUAL MOVEMENT)



Figure 17

“Cooling in services and a decline in fuel costs were big contributors to the lower-than-expected figures.” There’s unlikely enough in today’s release to force the RBA’s hand to cut next month, but it does set the stage for a May rate cut.

“The focal point will now shift to (quarterly) CPI data at the end of April, which we expect to show the continued trend of easing price pressures, giving the RBA the freedom to lower rates.” The ABS said the main factors driving price increases last month were housing (up 1.8 per cent), food and drink (up 3.1 per cent) and alcohol and tobacco (up 6.7 per cent). Meanwhile, energy prices continued to fall on the back of government rebates. “Electricity prices fell 13.2 per cent in the 12 months to February, compared to an 11.5 per cent annual fall to January,” ABS head of prices statistics Michelle Marquardt said.

Question 20 stimulus continues

Question 20 stimulus continued

Adapted from: <https://www.9news.com.au/finance/inflation-australia-february-monthly-consumer-price-index-abs/d597836b-19fc-4736-9eb0-489dff826c07>

Article by: Daniel Jeffery on 26 March 2025.

The banks predict more RBA cuts are coming

The Reserve Bank of Australia (RBA) is due to meet for the second time in 2025 this week. When the RBA Board met in February, it cut the cash rate target by a quarter of a percentage point. However, most banks don't expect a repeat of that decision during this next meeting.

Currently, the cash rate target is 4.1 per cent. The cash rate is the interest rate set by the RBA, which influences how much commercial banks charge customers for borrowing money. But when the RBA changes the cash rate target, interest rates for mortgages don't automatically change – the individual banks decide that.

When will interest rates go down? No one knows that for sure.

Figure 18 tracks the cash rate target over the past three decades:



The red line tracks the RBA's cash rate target over the past 35 years. (Reserve Bank of Australia)

Figure 18

Adapted from: <https://www.abc.net.au/news/2025-03-31/rba-reserve-bank-of-australia-meeting-interest-rates/105108894>.

Article by: Gareth Hutchens on 31 March 2025.

Question 20 continues

Question 20 continued

These items assess **Criteria 3** and **5**.

- a) Using data from Stimulus 20, outline the current inflation situation in Australia and explain the costs and benefits associated with inflation. (10 marks)
- b) Using data from Stimulus 20, as at 31 March 2025, critically analyse the monetary policy stance in Australia based on the interest rate (cash rate) set by the Reserve Bank of Australia. (8 marks)
- c) Explain how changes in the interest rate can influence the inflation rate in Australia. (4.5 marks)

These items assess **Criteria 4** and **5**.

- d) Evaluate the implications of a further interest rate cut on individuals, businesses and the government. (10 marks)
- e) Critically analyse the implications of an interest rate cut in terms of social justice and environmental concerns. (8 marks)
- f) Explain **one (1)** recommendation for economic action the government should consider as an alternative to an interest rate cut, to further ease pressure on prices (inflation). (4.5 marks)

Part 2

- Answer **one (1)** question, **either** Question 21 **or** Question 22.
 - Answer **all** items within a question.
 - Write your answers in a **separate answer booklet**. You are encouraged to include **diagrams** where relevant.
 - This part is worth 45 marks. The suggested working time you should spend on this part is **approximately 45 minutes**.
 - This part assesses **Criteria 3, 4 and 5**.
 - You are expected to use the stimulus material **and** the economics you have studied this year in your answers.
-

Question 21 stimulus

Australia's gold exports to US set back its case for tariff relief as Trump trade war looms

Industries across the country are bracing for the impact of the Trump administration's worldwide tariff regime. A run on gold in the US has given Australia its first trade surplus with the US in decades, undermining the government's key argument for exemption from Donald Trump's impending global tariff regime. Australia will reportedly be included in a comprehensive global tariff regime of 25% on aluminium and steel imports which is set to expand to other sectors, such as agriculture and pharmaceuticals, in coming months.

The White House said that Trump had listened to Australian exemption requests and "considered it, and considered against it". Steel and aluminium are minor exports to the US for Australia but other sectors Trump has vowed to target, including pharmaceuticals and agriculture, are significantly more exposed. An Australian economist said, "Even if we avoid the 25% tariff on our steel and aluminium exports – which is looking questionable – we likely face tariffs on our pharmaceutical exports, which are more than double the value of our steel and aluminium exports to the US, or meat, which is our biggest export."

"The main threat to Australia by far comes from Trump's trade war leading to a hit to global trade and growth leading to less demand for our exports." Trump argued that unfair trade practices had exploited the US for generations.

Question 21 stimulus continues

Question 21 stimulus continued

One of Australia's oft-made arguments to the new US administration in advocating for exemption from the tariff regime is that Australia is one of the few countries which runs a trade deficit with the US (US exports more to Australia than it imports from Australia). Australia had a surplus of \$US2.2 billion, sparked largely by a massive increase in the export of Australian gold to the US.

Historically, Australian imports of expensive manufactured goods – aeroplanes, machinery, vehicles and computers have given the US a dominant surplus over Australia. Those imports are only partially offset by Australian exports, led by meat and pharmaceuticals.

Adapted from: <https://www.theguardian.com/australia-news/2025/mar/12/australias-record-gold-exports-to-us-set-back-its-case-for-tariff-relief-as-trump-trade-war-looms>

Article by: Ben Doherty on 12 March 2025.

Donald Trump threatens fresh tariffs on pharmaceuticals in major blow for Australia

Donald Trump has threatened to hit pharmaceutical goods with a fresh round of tariffs in what would be a significant blow to Australia. Pharmaceuticals were exempted from the wide-ranging so-called “reciprocal” tariffs unveiled last week, but in a speech this morning, the US president said there would soon be a new round of import taxes specifically targeting the sector.

“We’re going to be announcing, very shortly, a major tariff on pharmaceuticals. Pharmaceuticals is one of Australia’s largest exports to the United States, worth around \$1.6 billion a year. We’re going to put tariffs on our pharmaceuticals and once we do that, they’re going to come rushing back into our country because we’re the big market.”

Treasurer Jim Chalmers said, “We are confident that we can weather these global conditions, but we’re not complacent.”

Adapted from: <https://www.9news.com.au/finance/donald-trump-tariffs-threat-pharmaceuticals-tax-impact-australia/ad93f968-af04-4218-885e-6e8caef8b9d9>

Article by: Daniel Jeffrey on 9 April 2025

Question 21 continues

Question 21 continued

These items assess **Criteria 3** and **5**.

- a) Using information from Stimulus 21, evaluate the advantages and disadvantages to Australia of the US imposing tariffs on Australian exports to the US. (10 marks)
- b) Using information from Stimulus 21, critically analyse the impact that increased tariffs on Australian exports to the US could have on Australia's current account deficit (CAD). (8 marks)
- c) Explain the impact that an increase in the current account deficit could have on Australia's foreign debt. (4.5 marks)

These items assess **Criteria 4** and **5**.

- d) Evaluate the implications of the proposed 25% tariffs on Australian exports to the US on Australian individuals and businesses. (10 marks)
- e) Critically analyse the implications of a rise in tariffs imposed by the US on Australian exports, in terms of environmental concerns and practical limitations. (8 marks)
- f) Explain a recommendation that the Australian government should consider in response to the proposed increase in US tariffs on Australia's exports to the US. (4.5 marks)

Question 22 stimulus

Can Australia become self-sufficient?

Trying to interpret what will be the outcome of President Donald Trump's startling trade war is a difficult exercise. The situation seems to change almost daily. Trump's aim is to make the United States more self-sufficient.

Self-sufficiency is an inevitable outcome of protectionism, although it has often not resulted in good outcomes. South American countries used protectionism heavily, an approach called import replacement, and lagged economically for decades. More recently Russia was forced into self-sufficiency because of two decades of heavy sanctions and has thrived. It really all depends on the country and the circumstances.

What is certain is that globalisation, the practice of locating company operations in different parts of the world, seems to be declining. A globalisation strategy only works if there is a low cost of trade between countries. Global corporations will still want to internationalise their operations as part of a trade-off to gain access to another country's customer base. That was partly why so many Western corporations outsourced parts of their activities to China in the hope of selling to over one billion consumers. But the advantages of deploying a cheap overseas workforce are vanishing.

Where is Australia positioned? Pretty well, as it turns out. Australia has aggressively deindustrialised over the last three decades, so it does not sell manufactured goods to other countries to any degree, including the US. Australia's exports to the US – it is 6 per cent of the total – indicates that there may be an impact on some commodity exports, but there are almost no manufacturing exports to worry about.

The top export (\$6.2 billion) is a service that does not attract tariffs: professional, tech and other business services. Second (\$3.5 billion) is intellectual property charges, also not subject to tariffs. It is not until we get to the seventh biggest export (\$1.6 billion) that there is a manufactured good: pharmaceutical products.

Goods dominate world trade, which is why they are the target of protectionism. Manufacturing in turn accounts for over 70 per cent of world goods exports. In many manufacturing sectors, such as the car industry, there is severe oversupply, putting pressure on prices and sector-wide revenues. Ironically, if Australia had continued supporting the local car industry, we would now have trouble with that sector.

Question 22 stimulus continues

Question 22 stimulus continued

The battle over tariffs has important strategic implications. One is that Australia may be able to sell more to China. Beef exporters to China are already benefitting. The US has also been a significant exporter of coal and gas to China, which could benefit Australian companies. Australia should start protecting, although not necessarily with tariffs, some of its local industry, especially in agriculture. Globalisation is over and trade will revert to being just trade. Australia's policies should reflect that. We need to become more self-sufficient.

Adapted from: <https://www.eurekastreet.com.au/can-australia-become-self-sufficient>

Written by: David James on 5 May 2025.

Chinese retaliation intensifies trade tensions

The Australian dollar (AUD) hit a fresh five-year low this morning at 0.5933 (USD), before rebounding back above 0.6000. This morning's drop came after China's retaliatory move on Friday night, which included a 34% tariff on all United States imports. China's retaliation was in response to the Trump administration's announcement last week of a hefty new 34% tariff on Chinese imports. These new tariffs are expected to have a significant impact on China's economy, which is already grappling with issues such as weak employment, and housing challenges.

In addition, concerns over a looming recession have prompted an aggressive repricing of Reserve Bank of Australia (RBA) interest rate cut expectations for 2025. The Australian interest rate could see the RBA's cash rate end the year at 3%.

Although AUD/USDs rebound above 0.6000 today is impressive in the short term, it remains at risk of a deeper drop than the 2020 crash low of 0.5509 unless last week's new tariffs are reversed in upcoming sessions.

Adapted from: <https://www.ig.com/au/news-and-trade-ideas/AUDUSD-rebounds-from-five-year-low-amid-escalating-US-China-tariffs-250407>

Written by: Tony Sycamore on 7 April 2025.

Question 22 continues

Question 22 continued

These items assess **Criteria 3** and **5**.

- a) Using information from Stimulus 22, explain the benefits and costs of globalisation to the Australian economy. (10 marks)
- b) Evaluate the impacts of a depreciating Australian dollar (AUD) (at the time Stimulus 22 was written) on the allocation of resources in the economy. (8 marks)
- c) Using information from Stimulus 22, explain what is causing the Australian dollar to depreciate in value. (4.5 marks)

These items assess **Criteria 4** and **5**.

- d) Evaluate **two (2)** different policy actions that the Australian Government should consider, given that globalisation “seems to be declining”. (10 marks)
- e) Critically analyse the implications of Australia strategically shifting away from the manufacturing sector in terms of social justice and environmental concerns. (8 marks)
- f) Explain **one (1)** policy action that the Australian government could take to prevent the Australian dollar losing value on the foreign exchange market. (4.5 marks)

End of Section C



This exam paper and any materials associated with this exam
(including answer booklets, cover sheets, rough note paper, or information sheets)
remain the property of Tasmanian Assessment, Standards and Certification.